

Internal Revenue Service, Treasury

§ 302.1

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| 18.1361-1 | Election to treat qualified subchapter S trust as a trust described in section 1361(c)(2)(A)(i), under the Subchapter S Revision Act of 1982. |
| 18.1362-1 | Election to be an S corporation, under the Subchapter S Revision Act of 1982. |
| 18.1362-3 | Revocation of election, under the Subchapter S Revision Act of 1982. |
| 18.1362-5 | Election not to have new passive income rules apply during 1982, under the Subchapter S Revision Act of 1982. |
| 18.1371-1 | Election to treat distributions as dividends during certain post-termination transition periods, under the Subchapter S Revision Act of 1982. |
| 18.1377-1 | Election to terminate year, under the Subchapter S Revision Act of 1982. |
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| 22.0 | Certain estate taxes elections under the Economic Recovery Tax Act of 1981. |
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[T. D. 8435, 57 FR 43894, Sept. 23, 1992]

PART 302—TAXES UNDER THE INTERNATIONAL CLAIMS SETTLEMENT ACT, AS AMENDED AUGUST 9, 1955

Sec.

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AUTHORITY: Sec. 7805, I.R.C. 1954; 68A Stat. 917; 26 U.S.C. 7805, and sec. 212 of the International Claims Settlement Act of 1949, as added by the Act of Aug. 9, 1955, Pub. L. 285, 84th Cong., 69 Stat. 562.

SOURCE: T.D. 6470, 25 FR 6470, July 9, 1960, unless otherwise noted.

§ 302.1 Statutory provisions and Executive order; section 212 of the International Claims Settlement Act, and Executive Order 10644.

SEC. 212. (a) The vesting in any officer or agency designated by the President under this title of any property or the receipt by such designee of any earnings, increment, or

proceeds thereof shall not render inapplicable any Federal, State, Territorial, or local tax for any period before or after such vesting.

(b) The officer or agency designated by the President under this title shall, notwithstanding the filing of any claim or the institution of any suit under this title, pay any tax incident to any such property, or the earnings, increment, or proceeds thereof, at the earliest time appearing to him to be not contrary to the interest of the United States. The former owner shall not be liable for any such tax accruing while such property, earnings, increment, or proceeds are held by such designee, unless they are returned pursuant to this title without payment of such tax by the designee. Every such tax shall be paid by the designee to the same extent, as nearly as may be deemed practicable, as though the property had not been vested, and shall be paid only out of the property, or earnings, increment, or proceeds thereof, to which they are incident or out of other property acquired from the same former owner, or earnings, increment, or proceeds thereof. No tax liability may be enforced from any property or the earnings, increment, or proceeds thereof while held by the designee except with his consent. Where any property is transferred otherwise than pursuant to section 207(a) or 207(b) hereof, the designee may transfer the property free and clear of any tax, except to the extent of any lien for a tax existing and perfected at the date of vesting, and the proceeds of such transfer shall, for tax purposes, replace the property in the hands of the designee.

(c) Subject to the provisions of subsection (b) of this section, the manner of computing any Federal taxes, including without limitation by reason of this enumeration, the applicability in such computation of credits, deductions, and exemptions to which the former owner is or would be entitled, and the time and manner of any payment of such taxes and the extent of any compliance by the designee with provisions of Federal law and regulations applicable with respect to Federal taxes, shall be in accordance with regulations prescribed by the Secretary of the Treasury to effectuate this section. Statutes of limitations on assessments, collection, refund, or credit of Federal taxes shall be suspended with respect to any vested property or the earnings, increment, or proceeds thereof, while vested and for six months thereafter; but no interest shall be paid upon any refund with respect to any period during which the statute of limitations is so suspended.

(d) The word "tax" as used in this section shall include, without limitation by reason of this enumeration, any property, income, excess-profits, war-profits, excise, estate,

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and employment tax, import duty, and special assessment; and also any interest, penalty, additional amount, or addition thereto not arising from any act, omission, neglect, failure, or delay on the part of the designee.

[Section 212, International Claims Settlement Act of 1949, as added by Act of August 9, 1955 (Pub. L. 585, 84th Cong., 69 Stat. 562)]

EXECUTIVE ORDER 10644, APPROVED NOVEMBER 7, 1955 (20 FR 8363)

By virtue of the authority vested in me by title II of the International Claims Settlement Act of 1949, as added by Public Law 285, 84th Congress, approved August 9, 1955 (69 Stat. 562), and by section 301 of title 3 of the United States Code, and as President of the United States, it is ordered as follows:

SECTION 1. The Attorney General, and, as designated by the Attorney General for this purpose, any Assistant Attorney General are hereby designated and empowered to perform the functions conferred by the said title II of the International Claims Settlement Act of 1949 upon the President, and the functions conferred by that title upon any designee of the President.

SEC. 2. The Attorney General is hereby designated as the officer in whom property shall vest under the said title II.

SEC. 3. As used in this order, the term “functions” includes duties, powers, responsibilities, authority, and discretion, and the term “perform” may be construed to include “exercise”.

§ 302.1-1 Definitions.

(a) *General*. When used in the regulations in this part, the terms defined in this section shall have the meaning so assigned to them. A term not defined herein shall have the meaning, if compatible with the context, imputed thereto under the internal revenue laws.

(b) *Attorney General*. The term “Attorney General” includes the officer in whom property is vested pursuant to title II of the International Claims Settlement Act of 1949, as amended. The term also includes the officer, including any Assistant Attorney General designated by the Attorney General for this purpose, designated and empowered pursuant to Executive Order No. 10644 to perform the functions conferred by title II upon the President of the United States and the functions conferred by such title upon the designee of the President.

(c) *Commissioner*. The term “Commissioner” means the Commissioner of Internal Revenue.

(d) *Person*. The term “person” includes a natural person, partnership, association, other unincorporated body, corporation, or body politic, having or claiming an interest in vested property or liable or charged with liability for internal revenue tax in connection with such property.

(e) *Former owner*. The term “former owner” means the owner immediately prior to vesting and any successor in interest by inheritance, devise, bequest, or operation of law, of such owner.

(f) *Property*. The term “property” means any property, right, or interest, including earnings, increment, or proceeds thereof.

(g) *Act*. The term “Act” means the International Claims Settlement Act of 1949, as amended by the Act of August 9, 1955 (Pub. L. 285, 84th Cong., 69 Stat. 562).

(h) *Tax*. The term “tax” includes, but is not limited to, any property, income, excess-profits, war-profits, excise, estates, and employment tax, import duty, and special assessment; and also any interest, penalty, additional amount, or addition thereto not arising from any act, omission, neglect, failure, or delay on the part of the Attorney General.

§ 302.1-2 Application of regulations.

(a) *Property covered*. The regulations in this part are applicable in connection with property vested in the Attorney General pursuant to section 202 (a) of the Act and in connection with the net proceeds of any property described under section 202(b) of such Act which was vested in the Attorney General after December 17, 1941, pursuant to the Trading With the Enemy Act, as amended (40 Stat. 411).

(b) *Taxes covered*. The regulations in this part are applicable to any internal revenue tax with respect to (1) property vested in the Attorney General or any action or transaction incidental to such property, or (2) any person whose property is so vested or any action or transaction of such person, whether the tax is applicable in respect of the period of vesting or any other period.

§ 302.1-3 Protection of internal revenue prior to tax determination.

(a) *Suits and claims for return of vested property*—(1) *General*. The provisions of this paragraph apply in cases where there has been neither a final nor a tentative determination of internal revenue tax liability. See paragraphs (e) and (f) of § 302.1-4. In such cases vested property (including property vested pursuant to section 202(a) of the Act which is subject to divestment by reason of its ownership by a natural person) shall not be returned or divested except in accordance with this paragraph.

(2) *Notice to Commissioner*—(i) *Suits for recovery*. Where suit for the return of vested property has been instituted pursuant to section 207(a) of the Act, the Attorney General shall within a reasonable time after answer has been filed or after beginning of the trial of the case notify the Commissioner in writing of the property involved and the name, address, citizenship, residence, and business organization of the claimant, and any other pertinent information.

(ii) *Return without suit*. Where the Attorney General has determined that pursuant to section 207(b) of the Act vested property is to be returned to the claimant, the Attorney General shall notify the Commissioner in writing in the manner prescribed in subdivision (i) of this subparagraph at least 90 days prior to any return of such property.

(3) *Return of property*—(i) *By divestment*. Where the Attorney General has determined that property vested pursuant to section 202(a) of the Act was directly owned by a natural person, the Attorney General shall not divest himself of such property and restore it to its blocked status prior to vesting unless there has been a determination of tax liability pursuant to § 302.1-4 and a payment of such tax pursuant to § 302.1-5.

(ii) *Without security*. Where vested property is the subject of a suit or proceeding pursuant to the Act, it may be returned without security prior to determination of applicable internal revenue taxes and prior to the judgment of the court or to the publication of the order of the Attorney General directing such return to the following described

claimants under conditions hereinafter stated:

(a) *Residents and domestic enterprises*. In the case of claimants who at the time of return are (1) individuals permanently resident in the United States since December 7, 1941, or (2) corporations or other business enterprises organized under the laws of the United States, or any State, Territory, or possession thereof, or the District of Columbia, or doing business in the United States, the Attorney General may without notice to the Commissioner return the property at any time.

(b) *Non-residents, etc.* In the case of claimants who at the time of return are (1) individuals not permanently resident in the United States since December 7, 1941, or (2) nondomestic corporations or other nondomestic enterprises not doing business within the United States, the property may be returned not less than 90 days after notice by the Attorney General to the Commissioner in a case within subparagraph (2)(i) of this paragraph, or not less than 60 days after notice in a case within subparagraph (2)(ii) of this paragraph (a), unless within such time the Attorney General is advised otherwise by the Commissioner.

(iii) *When security required*. Except as provided in subdivisions (i) and (ii) of this subparagraph, vested property shall not be released prior to determination of tax liability without security satisfactory to the Commissioner, but determination of tax liability will be expedited in order that the release of the property or of the security shall not be unnecessarily delayed.

(4) *Security*. When security is required under subparagraph (3)(iii) of this paragraph (a), it shall be such of the following as the Commissioner considers necessary:

(i) *Bond*. A bond of the claimant conditioned upon payment of the full amount of internal revenue taxes determined to be due, filed with the district director in such amount, and with such sureties, as the Commissioner deems necessary. Only surety companies holding a certificate of authority from the Secretary of the Treasury may be used.

(ii) *Collateral security.* Collateral authorized by law deposited by the claimant in lieu of surety conditioned upon the payment of the full amount of internal revenue taxes determined to be due.

(iii) *Reservation of assets.* Monies, or if the monies are insufficient, so much of the other property involved, to be reserved by the Attorney General, as will be sufficient in the judgment of the Attorney General to cover any internal revenue tax liability determined by the Commissioner.

(b) *Vested property subject to debt claims—(1) Notice to Commissioner.* With respect to vested property available for the payment of debt claims pursuant to section 208 of the Act, and with respect to which debt claims have been filed, prior to the allowance of any such claims the Attorney General shall in writing notify the Commissioner of the property involved, the citizenship, residence, business organization and other necessary information concerning the debtor and the aggregate of debt claims filed in respect thereof.

(2) *Action by Commissioner.* Upon receipt of the notice provided in subparagraph (1) of this paragraph (b), the Commissioner shall, as soon as practicable and not later than 120 days after receipt of notice, unless the time is extended by the Commissioner after notice to the Attorney General, (i) determine the taxes payable by the Attorney General in respect of the debtor, or (ii) advise the Attorney General of the provision, if any, to be made by him for payment of taxes with respect of the debtor.

§ 302.1-4 Computation of taxes.

(a) *Detail of employees of the Internal Revenue Service.* The Commissioner will detail for the assistance of the Attorney General such employees of the Internal Revenue Service as may be necessary to make the computations under the regulations in this part promptly and accurately.

(b) *Relationship of Attorney General and former owner.* In the computation of tax liability under the regulations in this part, except as otherwise provided herein, the vesting of property shall not be considered as affecting the ownership thereof; and any act of the At-

torney General in respect of such property (including the collection or operation thereof and any investment, sale, or other disposition and any payment or other expenditure) shall be considered as the act of the owner. Nevertheless, except as otherwise provided in the Act or the regulations in this part, insofar as taxes are incident to the vested property during the period of vesting, they shall be payable by the Attorney General, except that to the extent of the value of any of the property returned to the former owner the latter shall be liable for such tax not paid by the Attorney General. While tax incident to nonvested property is collectible out of both vested and nonvested property, the nonvested property will be regarded as the primary source of collection of such tax. In determining the amount of liability to be paid out of property not vested by the Attorney General a computation shall be made covering the taxpayer's full period of liability, but without regard to the vested property, or the income received by, or the operations of, the Attorney General. The amount so computed shall be first asserted against and collected so far as practicable from the taxpayer or out of his property which is not vested. Such part of the total tax liability as is not paid by the taxpayer or collected out of property not vested shall be asserted against the vested property. See § 302.1-5, relating to payment of taxes, and § 302.1-7, relating to claims for credit or refund.

(c) *Laws applicable to computations.* Except as otherwise specifically provided in the regulations in this part, the computation under the regulations in this part of any internal revenue tax liability shall be in accordance with the internal revenue laws and regulations applicable thereto, including all amendments of such laws or regulations enacted or promulgated prior to determination of the tax.

(d) *Periods for which computations made.* The amount of income, declared value excess profits, excess profits, capital stock, employment, and excise taxes under the internal revenue laws will be computed for each taxable year or period during all or part of which property is vested prior to the return of the property. In the case of a return

of property prior to computation of tax, see § 302.1-3. Where vesting occurs during a taxable year or taxable period, any return filed or computation made covering vested or nonvested property should nevertheless be for the entire year or period. See paragraph (b) of this section. Unless facts are available indicating a liability for taxes for a taxable year or period occurring wholly prior or subsequent to the period of vesting of the property by the Attorney General, the computations under the regulations in this part, both tentative and final, will be made only in respect of years and periods during all or part of which the property is held by the Attorney General.

(e) *Tentative computation.* In order that the return of property or other appropriate action may not be delayed until the amount of taxes payable is finally computed and paid, a tentative computation of such amount will be made in every case, unless there are circumstances appearing to make such action inappropriate. Such circumstances would include (1) return of the property in accordance with § 302.1-3, (2) notice to the Commissioner by the person to whom the property is returnable or by the Attorney General that such person or the Attorney General, as the case may be, prefers that the return of the property be postponed until the amount of such taxes can be finally computed or (3) belief on the part of the Commissioner that a final computation will not unduly delay the return of, or other appropriate action with respect to, the property. In making any such tentative computation of income, profits, or estate tax, the gross income or the gross estate, as the case may be, as shown by the records of the Attorney General (excluding therefrom items exempt from taxation) shall be considered as the taxable or net income or taxable or net estate, respectively, unless a tax return has been filed or facts are available upon which a more accurate computation can be made. In any case in which a duly authorized officer or employee of the Internal Revenue Service has otherwise computed the amount of taxes payable in respect of any period, such computation will be accepted as a tentative computation, unless the facts clearly indicate that a

more accurate computation can be made.

(f) *Final computation*—(1) *General.* A final computation of the amount of taxes payable by the person to whom property is returnable, or out of property to be returned, will be made as soon as practicable in every case. In any case in which the amount shown by a tentative computation has been paid, refund or credit of any amount paid in excess of the amount properly due will be made in accordance with the final computation, even though a claim therefor has not been filed, if the period of limitation applicable to the filing of such claim has not expired. However, if it is desired to protect the right to any credit or refund determined to be due, a claim for credit or refund should be filed. The sufficiency of any such claim in respect of any amount paid in accordance with a tentative computation under the regulations in this part will not be questioned solely because facts upon which a more accurate computation could be made are not available or cannot be established at the time such claim is filed. Any such claim in respect of an amount paid in accordance with a final computation must, however, clearly set forth in detail under penalties of perjury all the facts relied upon in support of the claim and must conform to the regulations applicable to an ordinary claim for refund or credit. See § 302.1-7 relating to claims for credit or refunds.

(2) *Information required*—(i) *Income and profit taxes.* The following information submitted under penalties of perjury by or for the taxpayer is necessary in each case for a final computation, for each taxable year for which the computation is to be made:

(a) All income (other than income received by the Attorney General) from sources within the United States, or if no such income has been received, then a statement to that effect, except that in the case of a citizen or resident of the United States, income from sources without as well as within the United States must be shown.

(b) If a return of such income has been made, then the following data in respect of such return:

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(1) The taxable year for which the return was made and the tax (whether income, declared value excess profits, or excess profits tax) paid;

(2) The name of the taxpayer for whom the return was made;

(3) The name of the agent or other person (if any) by whom such return was made;

(4) The office of the district director in which such return was filed.

(c) Such other facts as may be required, from time to time, by the Commissioner.

(ii) *Other taxes.* Except as otherwise provided in subdivision (i) of this subparagraph, in order to make a final computation of the amount of any internal revenue tax payable by return in any case, the usual return should be filed, together with the supporting documents required by the regulations pertaining to the tax.

(g) *Tax returns*—(1) *General.* In many cases allowance of deductions and credits is contingent upon the making of a return in accordance with the applicable internal revenue law. The submission of evidence relative to income or profits tax in accordance with subdivisions (a) and (c) of paragraph (f)(2)(i) of this section will be considered as the making of the return required by any such law, only (i) for any taxable period, ending on or before December 31, 1946, during all or part of which all or part of the property of the taxpayer was held by the Attorney General, or (ii) for any taxable period ending within one year from the date of the first return to the taxpayer of any part of the property held by the Attorney General, whichever period ends later. In all other cases a return will be required in accordance with the applicable internal revenue law and regulations. In the case of returns where property is vested during a taxable year or period, see paragraph (d) of this section.

(2) *Estates and trusts.* In the case of estates and trusts the fiduciaries shall file returns, including information returns as required by section 147 of the Internal Revenue Code of 1939 or section 6041 of the Internal Revenue Code of 1954.

(3) *Income tax forms to be used*—(i) *General.* In the case of taxpayers engaged in trade or business in the

United States Forms 1040B and 1120, as may be appropriate, shall be used. Where the taxpayer is not engaged in trade or business in the United States, Form M797 may be used in lieu of Forms 1040NB, 1040NB-a, and 1120NB.

(ii) *Definition.* When used in subdivision (i) of this subparagraph, the term “engaged in trade or business in the United States” includes the managing and renting of real estate in the United States by an agent of the Attorney General or of the former owner duly authorized to execute rental agreements and to pay all taxes and charges incident to the repair and maintenance of such property, but does not include the mere renting or leasing of property under agreement requiring the lessee or occupant to pay taxes and to make repairs or improvements.

§ 302.1-5 Payment of taxes.

(a) *Pursuant to tentative computations.* The amount of taxes shown by a tentative computation, shall be paid by the Attorney General or the taxpayer, as the case may be, to the district director as soon as practicable after the tentative computation has been made. It will not be necessary, however, for the payment by the Attorney General to be made prior to the return of property if an amount sufficient to cover all internal revenue taxes is retained from the property by the Attorney General.

(b) *Pursuant to final computations.* Upon a final computation of internal revenue taxes properly payable, the amount thereof remaining unpaid shall be paid by the Attorney General to the district director as soon as practicable after the final computation has been made, or, in case the property has been returned to the former owner, by such owner. If the final computation shows that the full amount of internal revenue taxes properly payable is less than the amount previously paid, the difference shall be credited or refunded in accordance with the provisions of the regulations in this part and other applicable regulations. A final computation will not prohibit a subsequent recomputation if it is determined that the amount shown by the final computation is erroneous.

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(c) *Deficiency procedure.* The Attorney General shall pay internal revenue taxes without regard to the provisions of law relating to the sending of a deficiency notice by certified or registered mail or to notice and demand.

§ 302.1-6 Interest and penalties.

(a) *Liability for interest and civil penalties.* Under subsection (d) of section 212 of the Act there is no liability for interest or penalty on account of any act or failure of the Attorney General. Such subsection is not applicable to interest or penalties payable in respect of any act or failure during the period prior to the vesting of the property by the Attorney General, or after the return of the property, or during the period during which the property was vested by the Attorney General on account of an act or omission of any person other than the Attorney General.

(b) *Adjustment.* In case of any assessment or collection, or credit or refund, of interest or a civil penalty contrary to section 212 (c) or (d) of the Act, proper adjustment shall be made.

§ 302.1-7 Claims for credit or refund.

(a) *Time for filing claims.* Claims for credit or refund must be filed within the period prescribed by section 322 of the Internal Revenue Code of 1939 or by section 6511 of the Internal Revenue Code of 1954, as modified by section 212(c) of the Act. Any such claim must contain a detailed statement under penalties of perjury of all the facts relied upon in support of the claim and should be filed with the district director of the district in which the tax was paid. See paragraph (f)(1) of § 302.1-4 relating to final computation.

(b) *Attorney General acting for taxpayer.* Any act of the Attorney General for, or on behalf of, a taxpayer in respect of any claim under the regulations in this part will be considered as the act of such taxpayer, unless such taxpayer notifies the Commissioner in writing, by the filing of a claim for refund or credit or otherwise, that he does not ratify such act. See paragraph (b) of § 302.1-4 relating to relationship of Attorney General and former owner.

(c) *Refund payable to Attorney General.* All refund of taxes paid by the Attor-

ney General shall be made directly to that official.

PART 303—TAXES UNDER THE TRADING WITH THE ENEMY ACT

Sec.

303.1 Statutory provisions; section 36, Trading With the Enemy Act.

303.1-1 Definitions.

303.1-2 Application of part.

303.1-3 Protection of internal revenue prior to tax determination.

303.1-4 Computation of taxes.

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303.1-6 Interest and penalties.

303.1-7 Claims for refund or credit.

AUTHORITY: Sec. 7805, I.R.C. 1954; 68A Stat. 917; 26 U.S.C. 7805, and sec. 36 of the Trading With the Enemy Act, as added by the Act of Aug. 8, 1946, Pub. L. 671, 79th Cong., 60 Stat. 929; 50 U.S.C. App. 36.

SOURCE: T.D. 6459, 25 FR 2953, Apr. 7, 1960, unless otherwise noted.

§ 303.1 Statutory provisions; section 36, Trading With the Enemy Act.

SEC. 36 (a) The vesting in or transfer to the Alien Property Custodian of any property or interest (other than any property or interest acquired by the United States prior to December 18, 1941), or the receipt by him of any earnings, increment, or proceeds thereof shall not render inapplicable any Federal, State, Territorial, or local tax for any period prior or subsequent to the date of such vesting or transfer, nor render applicable the exemptions provided in title II of the Social Security Act with respect to service performed in the employ of the United States Government or of any instrumentality of the United States.

(b) The Alien Property Custodian shall, notwithstanding the filing of any claim or the institution of any suit under this Act, pay any tax incident to any such property or interest, or the earnings, increment, or proceeds thereof, at the earliest time appearing to him to be not contrary to the interest of the United States. The former owner shall not be liable for any such tax accruing while such property, interest, earnings, increment, or proceeds are held by the Alien Property Custodian, unless they are returned pursuant to this Act without payment of such tax by the Alien Property Custodian. Every such tax shall be paid by the Alien Property Custodian to the same extent, as nearly as may be deemed practicable, as though the property or interest had not been vested in or transferred to the Alien Property Custodian, and shall be paid only out of the property or interest, or earnings, increment, or proceeds thereof, to which they are incident or out of